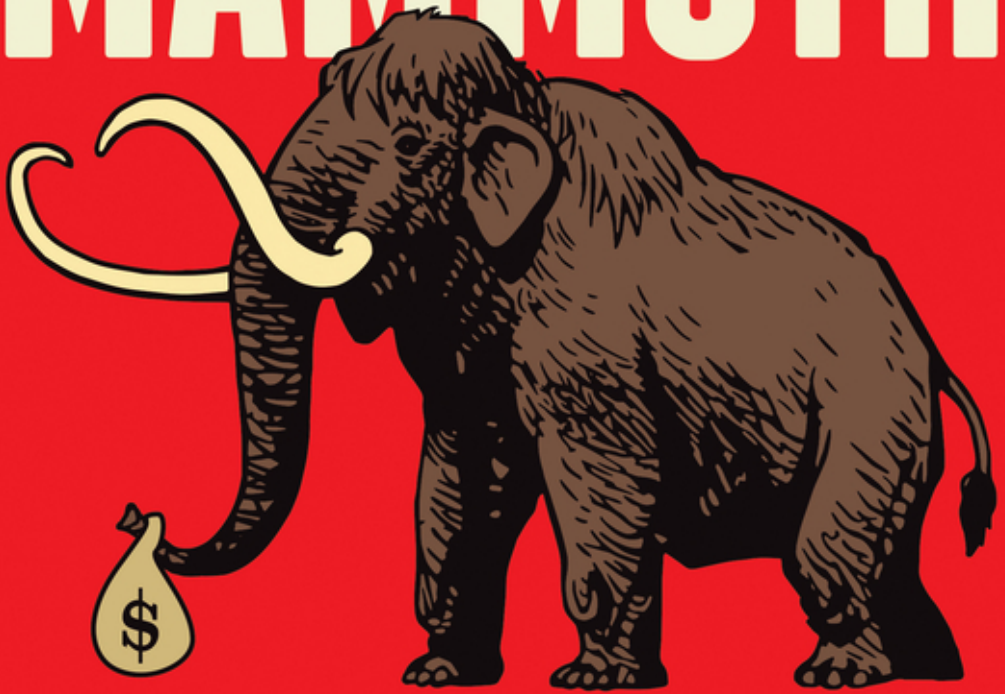
DR. BRAD KLONTZ · DR. EDWARD HORWITZ · DR. TED KLONTZ

MONEY MAMMOTH

HARNESS THE POWER OF FINANCIAL PSYCHOLOGY TO EVOLVE YOUR MONEY MINDSET, AVOID EXTINCTION, AND CRUSH YOUR FINANCIAL GOALS



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Money Mammoth

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Harness the Power of Financial Psychology to Evolve Your Money Mindset, Avoid Extinction, and Crush Your Financial Goals

by

Dr. Brad Klontz

Dr. Ed Horwitz

and

Dr. Ted Klontz

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Dr. Brad Klontz

Dedicated to you, the reader, for having the courage to tackle the most stressful topic in the lives of three out of four people. IF you evolve your money mindset, you CAN transform your financial life.

Dr. Edward Horwitz

I would like to dedicate this book to my wife, Chris, for her love, support, and insights throughout the writing process, and along our road in life together. I would also like to dedicate this book to the millions of people who struggle with money issues. Over decades of seeing the generational financial devastation caused by mishandling personal financial decisions, my passion for finding a solution burned. Too many families and children have been destroyed by bitter divorce simply because their parents didn't know how to engage in positive money discussions or guide their children with correct financial wisdom. Therefore, I dedicate this book, and a lifetime of thoughts, reflection, research, and experiences, to all of you. I sincerely hope you find the insights and solutions to discover financial security and contentment for you and all your financial relationships.

Dr. Ted Klontz

To my friend and wife, Margie, and to my children, who remain my best teachers, and to the countless folks who have allowed me to walk with them on their journey of finding peace in their relationship with money. To all those who wonder if they are the only ones who don't "do well" with money: The answer is a resounding "NO." May this book help you find your way.

Contents

About the Authors xiii
Foreword xvii
Introduction xxi

PART I YOUR ORIGINS 1

CHAPTER 1 Your Ancestors 3
The Ancestor Room 4
So What's in Your Ancestry Room? 6
Why Aren't You Rich? 7
Death to Savers 8
Notes 10

CHAPTER 2 Your Parents 11
Your Parents 12
Become Your Own Anthropologist 13
When Money Helps 14
When Money Hurts 15
Financial Enmeshment 15
A Family Story of Financial Destruction 16
Parents Know Best? 19
The 2008 Housing Crisis 19
Notes 21

CHAPTER 3 Your Children 23
Can Money Make You Insane? 24
Were You a Spoiled Child? 25
The College Admissions Scandal 26
Money Is a Powerful Reinforcer 28
Humans Are Lazy 29
Financial Enabling and Financial Dependence 30
Cutting the Financial Umbilical Cord: Five Steps 31
Raising Financially Healthy Children 33

	It's Not So Simple	34
	A Big Heads-Up	35
	Quick Start Tips for Healthy Financial Habits	35
	Allowances	36
	A Family Allowance	38
	Talk About Money (But Not Too Much)	38
	Notes	40
CHAPTER 4	Your Mate	43
	Genetic Differences?	44
	The Giver versus the Saver	44
	Interdependence versus Independence	46
	Booby Traps	50
	Where from Here?	50
	How Are You Doing with Money?	51
	Finding the Right Kind of Help	52
	The Conversation Intervention	52
	Setting the Stage	53
	Notes	55
CHAPTER 5	Your Tribe	57
	Your Extended Family	57
	The Hill	57
	What Saves You May Kill You	58
	Relative Deprivation	59
	How Can We Keep Them Down on the Farm	59
	What the Tribe Expects	60
	The Modern-Day Tribe—Risk Sharing	61
	Feeling at Home in Our Tribes	63
	Your Tribes	64
	Tribal Influence	65
	Tribal Entitlement	66
	How Tribes Handle Success	67
	Professions as Tribes	69
	Jim's Reality Meets Professional Reality	69
	Kill Dr. Phil	70
	When Should You Seek a New Tribe?	71
	Using Tribal Expectations to Evolve	73
	Alex Harnesses His Money Mammoth	74
	Notes	75

PART II YOUR ADAPTATIONS 77

CHAPTER 6 Your Instincts 79
Martha and Her Instincts 84
Tom and His Instincts 84
Overcoming Mindsets 85
Our Money Mindsets 85
Our Financial Instincts Toward Savings 86
Our Anti-Hoarder Bias 87
The Give-Away 87
The Modern Savers 88
The Drive to Share Is Hardwired 89
Our Subconscious Co-Pilot 89
Behavioral Finance 90
Notes 98

CHAPTER 7 Your Environment 101
Demographic Community 102
School Size and Diversity 103
Community Job Environment 103
Jason's Story 104
Economic Timing 105
The Story of Rick and Carrie 106
The Belief Stew 108
The Anchor of Your Past 109
Your Chosen Environment 109
Who Takes Care of You? 110
Note 115

CHAPTER 8 Your Financial Flashpoints 117
Ancestral Flashpoints 117
Family Financial Flashpoints 119
Your Financial Flashpoints 120
Cultural Flashpoints 122
Filling in the Blanks 123
Coronavirus Flashpoint 124
Depression Flashpoint 125
Flashpoint Context and Growth 126
Conclusion 127
Notes 129

CHAPTER 9 Your Money Scripts® 131
Money Scripts® 132
The Klontz Money Script® Inventory 134
Scoring Procedures 137
Analysis 137
Changing Our Money Scripts® Can Be Tough 139
Rewriting Your Money Scripts® 140

CHAPTER 10 Your Financial Behaviors 143
Financial Behaviors 143
Financial Behavior Change Strategies 151
Notes 157

PART III YOUR EVOLUTION 159

CHAPTER 11 Your Transformation 161
Six-Step Process of Change 161
Change in Action: Results of a Field Trial 163
The Employee Retirement Plan Meeting Dilemma 164
Tell Me a Story. Paint Me a Picture. Show Me! 170
Summary 173
Notes 174

CHAPTER 12 Your Vision 175
Avoid the "When-Then" Trap 175
Discovering Who You Are 176
Achieving Your Financial Goals 178
What We Found 179
What This Means: Seven Steps to Achieve Your Financial Goals 179
BONUS Tip: Social Pressure 183
Summary 183
Note 184

CHAPTER 13 Your Relationship 185
1. Assume 100% Responsibility for Your 50% 185
2. Speak Your Truth 186
3. Listen Now or Pay Later 187
4. Know the Odds 188
5. Love Is Not Enough 189

6. Love Thyself 190
7. No Carry-on Baggage Allowed 191
8. Beware of Invaders 193
9. Children Need Not Apply 194
10. Safety First 194
Exercise: Creating Your Relational Financial Vision 195
The Shared Vision Process 196
Notes 199

CHAPTER 14 Your Plan 201
Are You Ready to Take Action? (It's Okay If You're Not) 202
Money Mammoth Evolutionary Path 203
Start Here: Building Your Mammoth Foundation 203
Survival 204
Hunting and Gathering 221
Adaptation versus Extinction 227
Progress Measurement Tools 230
Notes 231

CHAPTER 15 Your Success 233
Your Financial Survival Guide 234
Your Evolution 239
Becoming Your Money Mammoth 241
It Is Your Time to Evolve 241
The Blue Pill or the Red Pill 243

Index 247

About the Authors

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Bradley T. Klontz, Psy.D., CFP®, is an expert in financial psychology, financial planning, and applied behavioral finance. He's an associate professor of practice at Creighton University Heider College of Business, co-founder of the Financial Psychology Institute, and Managing Principal of Your Mental Wealth Advisors. In addition to *Money Mammoth* (Wiley, 2020), Dr. Brad Klontz is co-author/co-editor of *Facilitating Financial Health* (NUCO, 2008; 2016), *Financial Therapy* (Springer, 2015), *Mind Over Money* (Broadway Business, 2009), *Wired for Wealth* (HCI, 2008), and *The Financial Wisdom of Ebenezer Scrooge* (HCI, 2005; 2008).

Dr. Klontz is a Fellow of the American Psychological Association, and a former president of the Hawaii Psychological Association. He was awarded the Innovative Practice Presidential Citation from the American Psychological Association for his application of psychological interventions to help people with money and wealth issues and his innovative practice in financial psychology for practitioners across the country.

Dr. Klontz has been a columnist for the *Journal of Financial Planning*, On Wall Street, and PsychologyToday.com. His work has been featured on ABC news shows *20/20*, *Good Morning America*, and in *USA Today*, *The Wall Street Journal*, *The New York Times*, *The Washington Post*, *The Los Angeles Times*, *Time*, *Kiplinger's*, *Money Magazine*, National Public Radio, and many other media outlets and professional magazines and journals.

In 2019, he was appointed to the CNBC Financial Wellness Council and in 2018 received the Montgomery-Warschauer Award from the *Journal of Financial Planning*, honoring the most outstanding contribution to the betterment of the financial planning profession. He has partnered with organizations including Capital One, JP Morgan Chase, Mutual of Omaha, and H&R Block in efforts to help raise public awareness around issues related to financial health and financial psychology.

Learn more about Dr. Brad Klontz at www.BradKlontz.com, his Money Mindset channel on YouTube www.YouTube.com/c/drbradklontz and @DrBradKlontz on social media.

DR. EDWARD HORWITZ, Ph.D., CFP®, FBS, ChFC, CLU, CSA

During his 35-plus-year career in the financial services industry, Dr. Horwitz has educated tens of thousands of agents, financial planners, wealth managers, and consumers in the field of personal finance and risk management. He holds a Ph.D. from Kansas State University, an MBA from Creighton University, and an undergraduate degree in finance from the University of Iowa. In addition to his academic degrees, Dr. Horwitz also holds numerous professional designations in the fields of insurance risk management, financial planning, and applied financial behavior. Dr. Horwitz currently serves as the chief risk and compliance officer for Creighton University, holds the Inaugural Mutual of Omaha Endowed Chair in Risk Management, and is an associate professor of practice in the Economics and Finance Department at the Heider College of Business at Creighton University. Dr. Horwitz serves as the program director for Creighton's finance programs in enterprise risk management and was the developer and director for programs in financial planning and financial psychology and behavioral finance.

Dr. Horwitz is a regular industry speaker, author, media contributor, and applied financial psychology intervention researcher. His contributions have appeared in numerous national and local media

outlets, in-print and online, including *Money* magazine, *The Wall Street Journal*, CNBC, and MSNBC. He is considered a creative leader, educator, and financial behavior futurist who brings his experience and academic research perspective to find unique solutions to consumer and organizations. Dr. Horwitz has provided advice and counsel to all likes of individuals from lower-income people struggling with debt issues, to Rock and Roll Hall of Fame musicians, members of the entertainment industry, professional athletes, and professional sport teams.

Dr. Horwitz's published research is focused on applied financial psychology-based solutions. He has authored several chapters in leading industry text books including *Client Psychology* (Wiley, 2018) and *Financial Therapy—Theory, Research, & Practice* (Springer, 2015). Dr. Horwitz is considered a leading industry contributor in the field of financial planning, behavioral change, financial psychology, and strategic enterprise risk management, both in his research and the breadth of his experience and practice. His insights and creative approaches to breaking through financial behavioral issues are highly respected.

DR. TED KLONTZ, Ph.D.

Dr. Ted Klontz is an associate professor of practice at Creighton University's Heider College of Business and founder of the Financial Psychology Institute. He was a founding official of the Financial Therapy Association.

Ted has an extensive international private practice, including troubleshooting, strategic planning, advising, and consulting. He is a pioneer of and has been working in the field of financial psychology for over two decades, authoring six other books on the topic.

Foreword

Our attitudes toward money and wealth have a far-reaching influence on how we live and lead our lives. Perhaps more so than any other aspect of our social development. In my case, as a boy growing up on a farm in northeast Nebraska, I saw my parents wrestle with farmland debt, soaring prices on farm equipment, and bankruptcies that made it nearly impossible to keep the family business afloat. Though we made it through, the impact of seeing that struggle forever changed the way I thought about money. It changed the way I foresaw achieving financial security and led me to a career as a financial advisor. Nearly 40 years later, I've built a top-ranked financial services firm serving tens of thousands of clients around the country, teaching them an undeniable truth about their financial behaviors: They underestimate the extent to which emotion plays a defining role in the success of their financial future.

Chances are you have your own story with your own unique values, life lessons and attitudes toward money. They've taught you some valuable lessons and probably exposed a few mistakes along the way, too. It's a relationship, really. We have our own connection with money that influences how we save it, invest it, or spend it. What is so profoundly powerful about this book is that it shines a light on how you develop these postures toward money and, more importantly, what you can do to adjust your own habits so you can make your financial situation work for you.

At Carson Wealth (carsonwealth.com), we help our clients pursue True Wealth™, which is what we define as "all that money can't buy and death can't take away." Using a holistic approach to financial planning and aided by technology, we discuss the emotions behind the decisions being made in a financial life. This experience connects the dots between life and wealth, making their financial situation easier to understand.

A top client of ours recently came into the office for her annual review and, as she and the advisor were getting caught up, she seemed flustered. Long-time friends, the advisor's and client's children went to school together. The advisor picked up on her uneasy position and asked if she was feeling okay.

She responded, "You've known me for a long time and we've trusted each other, so I'm going to be direct with you," she replied. "I'm more scared coming in to see you than I am seeing my doctor." Surprised, the advisor asked why.

"I just get nervous about money," she continued. "At least with the doctor, I know my results are either positive or negative. When it comes to money, I don't know exactly where I stand, and I feel intimidated by this area of my life because of how little I know. I want to do what's best for my kids, but I don't understand any of this and it makes me really nervous."

There are tens of thousands of stories just like this one. It underscores a scary reality about the psychological component interwoven into the fabric of our financial lives. Our anxiety over money is an issue that's as old as money itself.

So, where do you go from here? Start by recognizing that financial psychology is the future of financial planning. The author's make a solid case for this and brilliantly outlines how this issue is no longer simply an academic one. It's a personal one, and it will impact each of you in your own unique way. With every chapter, you'll be carried into a deeper layer of understanding of your own financial habits and, more importantly, equipped with an action plan on how you can make smarter decisions for your financial future.

Think about the numerous beliefs you have about money. How have they influenced you up to this point in your life? What healthier habits can you adopt going forward? How can you go about building a more secure financial life for yourself and your family, equipped with this knowledge? These are all questions that will be answered in-depth in *Money Mammoth*. My advice, as a financial advisor who sees just how far we've fallen when it comes to financial literacy, is to take these concepts and share them with everyone you know.

Really, that's what I see being so powerful about this book. It forces you to not only look at yourself holistically but also opens your eyes to

the multi-faceted way money infiltrates your thinking, your desires, your attitudes and your future. If we intend to make smarter financial decisions and raise financially savvy children, this book makes it clear we must first start with ourselves. The more holistic your planning, the better your ability to make the right financial decisions.

Whether you're a saver, spender, or investor, we are fortunate to have so much opportunity sitting in front of us. If you get nothing else from reading this book, know this: Every piece of who you are, whether psychologically, spiritually, emotionally and physically, subtly intertwines with your feelings about money and shapes the way you see the world.

The good news is the tools, concepts and exercises in this book put the power in your hands to better understand your belief system and your habits and how adjustments can be made to live more fully. As an advisor, I wish all my clients came to the table with the knowledge this book provides.

A tip before you dive into the book. Stop defending what you think you know and embrace the unknown. Open yourself to the realization you have much to learn, and often it's sitting within the depths of who we are, the people we associate with and the environment in which we grow.

What I'm talking about here is a lesson we often share with our clients. Let us help you live your life by design, not by default. As you read on, use the principles in this book to be purposeful in your approach. To move forward in a smarter way. Because the future favors the prepared.

Ron Carson
CEO/Founder
Carson Group

Introduction

YOUR MONEY MAMMOTH

Mammoths ruled their domain. Enormous creatures and majestic in their being, they lived at a time long after the dinosaurs were gone. Mammoths roamed the land of Western Europe and Northern America, eating grass, raising their young, and enjoying life. Changes in the mammoths' environment were happening all around them, but they failed to see and adapt to the effects. Over their time, the earth cooled, and as the tundra started to freeze, their food sources began to disappear. The mammoths started to migrate to find more sources for food, but they encountered new challenges. Neanderthal cave dwellers learned to communicate within tribes and learned to work together to hunt. Prehistoric humans evolved from the scavenger to the hunter and quickly ascended the food chain. The mammoths were slow moving, large sources of meat protein, and sadly, easily killed. In the end, early human's social hunting skills, a changing environment, and their species' failure to evolve and adapt was the source of the mammoths' eventual extinction.

OUR EXTINCTION LEVEL EVENT

Throughout history, species adapt and evolve over time to changing conditions or they become extinct. It is a cruel truth of nature and natural selection of survival of the species. However, don't be fooled into thinking these events only occurred millions of years ago. In fact, they are happening every day on our planet; you just may not be aware that they are occurring. While we instinctively look to environmental changes, like climate change, for examples of these events, they are not the only signs. Historically, environmental changes were the source of

many early excitation events, but they aren't the only source of excitation level changes.

Some theorize that the extinction level event that will impact humans may come from social versus environmental changes. Is it possible that the social phenomenon of not being able to properly handle our personal finances could lead to enough social unrest to cause a civil war? Can the underlying divide, or political exploitation, between the "wealthy" and "poor" grow to the point that the inequality destroys our social environment, leading to a quantum shift in our lives and society? In fact, it might not be the warming earth, pandemic disease, carbon emission, or a giant meteor that wipes us out. Consider the real possibility that our inability to address financial inequality and the number of people living in poverty as the foundational sources of our ultimate demise.

TODAY'S REALITY

When it comes to our relationship with money, we are stuck in the Stone Age.

- According to the American Psychological Association (APA), money is a significant source of stress for three out of four Americans.[1]
- Forty-five percent of Americans have no savings whatsoever.[2]
- The average person age 60 or older who does have savings has about $150,000, certainly not enough to stop working.[3]
- Almost 40% of American adults wouldn't be able to cover a $400 emergency with cash, savings, or a credit card charge they could quickly pay off.[4]
- The median American household has only $11,700 in savings.[5]
- Among elderly Social Security beneficiaries, 48% of married couples and 69% of unmarried persons receive 50% or more of their income from Social Security. In 2019, the average monthly Social Security retirement benefit for a new retiree was about $1,500.[6]
- The level of credit debt in the United States during the height of the most recent economic expansion (2019) was over $35,000.[7]

It's painfully obvious that the average American is in terrible financial shape. Despite the relentless barrage of information and warnings from financial experts that saving for the future is not a luxury but a necessity. In our society, people who don't save are looked down on. We blame them for being irresponsible without realizing that today's bad financial behaviors were our ancestor's essential survival behaviors.

SO WHO ARE YOU?

Ask yourself if the environment you were raised in was one of financial independence or one of interdependence. *Independence* in this case means that every family unit within your tribe was expected to, and generally did, take care of itself. Or was it interdependent, meaning that everyone shared, when necessary, financial resources. If the latter, you may find it very difficult to save while others close to you have significantly less.If your case is the latter, you may feel a great sense of responsibility for people who are in need. You may find that they expect you, if you have more, to share what you have, and if you don't, they may cut you out of their lives.

YOU ARE WIRED TO SPEND

You are wired to share and not save. That makes it a significant challenge to deal with modern personal finance. But we have another significant challenge: We are also hardwired to spend. Not all that we gathered is given away. We use it; we spend it now; we don't invest in our future. So why do we have that impulse? It's the same reason we have a problem with obesity. We can blame our DNA.

Your ancestors did not live long by engaging in moderation.When there was something to eat, they ate as much of it as they could.They didn't say, Oh, I think I have had enough, I'll quit now, and save some for later.They didn't avoid eating fatty or sugary foods; they thrived on them. There were probably those who thought they should eat in moderation, but in prehistoric days, when people didn't know when or where their next meal would come, they were less likely to survive to pass on their DNA. So, the survivors, our ancestors, were consumers.

Consuming as much as they could, even beyond when they were full. They did so because the next meal was not a guarantee and any food that went uneaten would quickly spoil.

This consumer programming helps to partly explain our current obesity crisis in America. We are no better at managing our calorie intake than we are at saving money. In many ways, money is our food.We love to consume it as we find it!

If we get the chance, we will consume more than we need. But now we have the ability to consume more than we even have. We call this buying on credit. Businesses understand this human need and seduce us to consume our money, borrow more, and consume that too. They are just capitalizing on human nature. So modern society has created a situation in which our ancestral programming sets the stage for our becoming obese and broke.

YOU ARE WIRED TO TRY TO KEEP UP WITH THE JONESES

In tribal life, ancestors' status within a tribe was a matter of life or death. One of the greatest threats to their survival was finding that they no longer belonged in the group and they no longer had a community to help keep them safe. Our ancestors left on their own would not live long enough to pass on their DNA. So, today, we are incredibly sensitive to whether we belong in a group or not. We are wired to be on constant lookout for cues that we might have lost our place.

In the past, it was critically important that our ancestors kept up on the latest gossip and rumors.Tribes typically consist of 100–150 individuals, so it was a daily task for our ancestors to see where they stood. It was important to know who was mad at whom, and who was in good favor with the leaders of the tribe. Given that our current society is so much larger, we rely on social media and the news to make sure we are not caught by surprise. Watching the news, whether accurate or not, triggers our pleasure centers and gives us hits of dopamine similar to those we get from food and sex. Our brain rewards us for keeping up with the Joneses. For our ancestors, keeping up with the news was a matter of life or death.

ALL THE RULES HAVE CHANGED

Within the past two generations, there has been a dramatic shift away from this tribal social system. Part of the responsibility of the tribe was taking care of each other, including as older people. Over time, as we moved from small tribes to larger groups, this responsibility was passed on to institutions, corporations, and the government. Several decades ago, such entities were there to take care of the tribe. Your company would fund your retirement, and Social Security would step in to take care of the remainder. You saved a little for vacations and holidays, but when and how retirement would occur was not a concern.

What about all this debt? Our grandparents didn't have credit problems. They didn't struggle with credit card debt. Were they wiser? More disciplined? Perhaps, but that's not why they didn't carry massive amounts of debt. The fact is that they couldn't have gotten access to unsecured debt if they wanted it. There was no such money mechanisms as credit cards. The only unsecured credit they were likely to get was from the local grocer, who wasn't likely to extend it more than $100 or less. In the past few decades, we have been given access to easy and fast credit.

But recent cultural shifts have dramatically changed the landscape. Corporations have shifted from defined benefit plans, such as pensions, to defined contribution plans, like 401(k)s. These somewhat subtle shifts have changed the responsibility of saving for retirement from the institutions back to the individual. So we shifted the responsibility of taking care of our aging members from small tribes to the government. In the past few decades, institutions have been discharging this responsibility, but now there are no tribes left to fall back on.

So now it is all up to the individual. This has never happened in human societal evolutionary history, and it is significant to note. You heard this message if you remember the daily briefings after the corona virus outbreak, when self-reliance was called for and lack of government reliance became a reality. This dramatic shift alone helps explain, to a large degree, our society's current financial problems as well. Look at the total global economic impact of the corona

virus–related disruptions for businesses, organizations, individuals, and government, and the unintended results from these shifts of societal personal responsibility. Who was most impacted? The poor and the elderly, those groups least able to take on the personal responsibility and who were more dependent on government systems.

WE MUST EVOLVE

So, what can we do? The first step is to move away from lecturing, scolding, shaming, blaming, judging, scapegoating, and treating ourselves or others as if we are flawed or broken. We describe *shame* as an emotional gluetrap that keeps you stuck. Shame is not helpful. Second, we need to develop strategies to overcome this basic wiring that was essential for our ancestors to survive in the ancient world but works against us in today's world. This book is designed to help you understand your financial psychology, why you do the things you do around money. But we don't stop there. In each chapter, we offer tools to help you both tame your inner Money Mammoth and harness its powers to help you achieve your own ideal financial mindset.

THE WINDS OF CHANGE

The message here is that, indeed, change is all around. Change is the one inevitable constant in our existence. Some change is for the better and helps us live happier and richer lives, but some change can threaten our literal existence as a species. How can we tell the difference and be prepared? After all, what doesn't kill us makes us stronger, right? However, if we become so smart as a species that we create automated workarounds to address these changes, will it make us weaker and softer? Will those changes sneak up on us like the proverbial lobster in the pot, unsuspectingly boiling us alive? Will we think we are living high and happy, relaxing in the hot tub of life, only to discover too late that we are becoming extinct?

A HISTORICAL MOMENT

Will we look back to this moment in time and identify these financial trends as the cause of societal collapse which foretold our future? Is this the cause of our extinction? Are we like the mammoths, living in a world that is changing faster than we can comprehend or address? Or will the smartest and most enlightened of our species lead the way to change the trends that threaten our existence? Make no mistake, making behavioral change is hard, and doing so while fighting your genetic instincts will take some expert guidance.

TIME TO EVOLVE

Let's learn from the woolly mammoth and early humanity, and adhere to the lessons evolution has provided. To avoid a life of pain and struggle, let's explore how to take action now through financial awakening and rewiring our financial behavioral actions. Let's evolve and become a new species, the Money Mammoth, who confidently roams the earth and thrives in this new, constantly changing world.

NOTES

1. American Psychological Association, American Psychological Association Survey Shows Money Stress Weighing on Americans' Health Nationwide, February 4, 2015, https://www.apa.org/news/pressreleases/2015/02/moneystress.
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